

What is the investment policy on the reserve funds held by the BPW?

BACKGROUND: The Lewes BPW operates under a cash reserve policy model to support the needs of the utility systems it manages for its customers. The information paper entitled: “What is the BPW Cash Reserve Policy” published in July 2012 explains this policy. (Copies of this and previous information papers can be found online at www.lewesbpw.delaware.gov)

In summary, the BPW cash reserve policy provides that the BPW sets aside monies to pay off its debt, address future capital improvement needs of the utility systems it operates and for emergencies. The BPW maintains cash reserves in five major categories:

- **Operations**
- **Emergency Reserve**
 - Funds sufficient to address any emergency situation and restore services
- **Debt Repayment**
 - Repayment of bonds and loans
 - Escrow of bond proceeds to repay debt
- **Capital Projects**
 - Funds for 5-year capital plan
- **Customer Deposits/Impact Fees/Self Insurance**

The Board of Directors of the Lewes Board of Public Works adopted a *Statement of Objectives and Guidelines for the Investment of Board of Public Works Funds* on January 19, 2012. Since that time, the BPW Directors have deliberated on the question of how to appropriately invest these funds while emphasizing the importance of capital preservation and liquidity. In addition to protecting these funds for their intended purposes, a secondary BPW goal is to generate a reasonable income by making conservative investments based on recommendations of an independent professional financial manager.

The position articulated by the BPW Directors during public meetings has been clear. Any gains resulting from the investment of these monies should benefit BPW customers by paying down the debt principal and reducing rates – or at the very least, provide a cushion to absorb and defer increases in rates.

On January 19, 2011 the BPW Directors approved the *Board of Public Works of the City of Lewes STATEMENT OF OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF BOARD OF PUBLIC WORKS FUNDS*. On November 28, 2012, the BPW Directors approved a contract with the UBS Chesapeake Group to manage the investment of these funds.

A copy of the BPW investment policy, as well as the *First Addendum to the Statement of Objectives and Investment Guidelines for the Investment of Board of Public Works Funds* approved by the BPW Directors on January 23, 2013, can be found on the BPW Web page: www.lewesbpw.delaware.gov

QUESTIONS: If you have further questions about the BPW investment policy, please contact the BPW General Manager, Darrin Gordon: 302-645-6228 or go to: www.lewesbpw.delaware.gov